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Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-04 OES-06

SS-15 L-03 H-02 STR-04 PA-01 USIA-06 /064 W
---------- 056179
R 282235Z APR 76
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC 1440

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E.O. 11652 NA
TAGS: EWWT, GT
SUBJ: SHIPPING DISCRIMINATION - CONFLICTING REGIMES

REF: A. GUATEMALA 3069, B. GUATEMALA 2689

SUMMARY: IN PAST WEEK THERE HAS BEEN CONSIDERABLE AGITATION IN PRESS AND CONGRESS OVER DELTA-FLOMERCA ASSOCIATION/ POOLING AGREEMENT AND NEW SHIPPING REGIME PROPOSED IN MARITIME TAX BILL. PRACTICALLY EVERY CONCERNED INTEREST HAS PUT FORWARD ITS VIEW. CRITICISM HAS OUTWEIGHED SUPPORT, AND NET EFFECT APPEARS TO BE DEFENSE OF OLD DISCRIMINATORY SHIPPING SYSTEM OF DECREE 41-71. HOWEVER, OUTCOME OF IN-TENSIVE REVIEW OF SHIPPING HERE STILL UNCLEAR. END SUMMARY

1. ANNOUNCEMENT OF DELTA-FLOMERCA AGREEMENT (REF A) HAS ELICITED CHARGES DROM PRESS AND CONGRESSIONAL GROUPS THAT THEREBY DELTA HAS BEEN GIVEN MUCH OF FREIGHT TRAFFIC. MONOPOLY THREATENED WHICH WILL "INEVITABLY" LEAD TO IN-CREASE IN FREIGHT CHARGES. FLOMERCA AS WELL AS TWO OTHER GUATEMALAN LINES WILL BE HURT IN PROCESS AND MAY BE PUSHED INTO BANKRUPTCY. IT IS STILL ALLEGED THAT DELTA-FLOMERCA AGREEMENT IN VIOLATION OF GUIDING LAW (DECREES 41-71 AND 56-73).

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2. PERALTA OF CORFINA, VICE PRESIDENT OF CLOMERCA, STAGED

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PRESS CONFERENCE APRIL 22 DEFENDING AGREEMENT, REJECTING
ABOVE CHARGES AND ASSERTING THAT GUATEMALAN INTERESTS
HAVE BEEN PROTECTED. PERALTA MADE MUCH OF PREVIOUS
FINDING BY FMC AND STR OF DISCRIMINATION IN GUATEMALAN
SHIPPING REGIME AND THREAT TO PENALIZE GUATEMALAN AND ASSOCIATED
CARRIERS LEAVING US UNLESS LAW CHANGED. ASSERTED HOWEVER THAT
WHILE NEW AGREEMENT PROVIDES EQUAL ACCESS BY DELTA
TO EXONERATED IMPORTS INTO GUATEMALA, ALSO GUARANTEES
EQUAL ACCESS ON PART OF FLOMERCA TO USG-FINANCED CARGOES
FROM US.

3. LATER HOWEVER, ACCORDING TO INTERVIEW PUBLISHED
APRIL 28, MARTINEZ DEL ROSAL, PRESIDENT OF FLOMERCA (WHO HAD
OPPOSED AGREEMENT WITH DELTA), STATED ACCORD WAS SINGED
UNDER "ENORMOUS PRESSURE" FROM INTERNATIONAL SHIPPING
LINES, A SMOALL SECTOR OF IMPORTERS, AND ABOVE ALL "FOREIGN
INTERESTS" (NOT FURTHER DESCRIBED). HE MADE NO DIRECT
CRITICISM OF TERMS OF AGREEMENT BUT SAID HE WAS
SEEKING APPOINTMENT WITH PRESIDENT LAUGERUD TO EXPLAIN
IT SINCE HE FELT LATTER HAD NOT BEEN TOTALLY INFORMED ABOUT
IT (BY PERALTA - SEE PARA 3, REF. A). EARLIER, ONE NEWS-
PAPER HAD ASCRIBED FLOMERCA'S AGREEING TO POOL ARRANGE-
MENT AS RESULT OF "SECRET, SUSPICIOUS, AND STRANGE" IN-
FLUENCE BROUGHT TO BEAR BY MINISTRY OF ECONOMY AND CORFINA.

4. MEANWHILE, CHAMBERS OF COMMERCE AND INDUSTRY SENT
DELEGATION TO CONGRESS TO SUPPORT FERNANDEZ
BILL ANNULING DECREE 41-71 AND IMPOSING MARITIME/
RECONSTRUCTION TAX (REF. B). REPORTEDLY ADVOCATED THAT
ANULMENT OF 41-71 WOULD LIBERATE, IMPROVE AND EN-
LARGE SHIPPING SERVICE HERE TO GENERAL BENEFIT OF ECONOMY.
CHAMBERS ARE SUGGESTING CHANGE IN SPLIT OF PROCEEDS FROM
TAX - FROM 25 PERCENT TO GO THROUGH CORFINA TO
FLOMERCA (OR PERHAPS OTHER GUATEMALAN LINES AS WELL) TO
30 OR 40 PERCENT, WITH A DECREASING PERCENTAGE SHARE TO
GO FOR RECONSTRUCTION.

5. HOWEVER, MINISTER OF ECONOMY PALOMO HAGSCHIPPED IN
JUDGEMENT THAT NEW TAX WOULD RAISE PRICES TO CONSUMER
IN GUATEMALA AND CONGRESS THEREFORE SHOULD STUDY BILL
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VERY CAREFULLY. CHAMBERS OF COMMERCE AND INDUSTRY HAVE
COUNTERED THAT PRICES WOULD BE RAISED NO MORE THAN THEY
ARE UNDER PRESENT SYSTEM (WHERE FREIGHT CHARGES ARE IN-
CREASED IN ORDER TO COVER COMMISSIONS PAYABLE BY ASSO-
CIATED LINES TO FLOMERCA ON EXONERATED CARGO CARRIED).

6. CORONADO OF ARMAGUA HAS ALSO ATTACKED BILL, AS
PARTIAL TO FLOMERCA, WITHOUT GRANTING EQUAL BENEFITS

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TO OTHER GUATEMALAN LINES. STATED THAT TAX ON IMPORTS
WOULD PUT GUATEMALA AT A DISADVANTAGE VIS-A-VIS OTHER
CENTRAL AMERICAN COUNTRIES, WHERE SUCH A TAX NOT IN EFFECT.
CLAIMED THAT ACTUALLY THERE WAS PLENTY OF FREE COMPETITION NOW
IN SHIPPING REGIME AND IDENTIFIED
FERNANDEZ BILL AS OLD ONE IN NEW GUISE WHICH
CHAMBERS HAD PROPOSED SOME YEARS AGO BUT WHICH HAD BEEN
THROWN OUT AS INOPERATIVE. IN PRESS ACCOUNT CORONADO
SAID NOTHING RE DELTA-FLOMERCA AGREEMENT.)
ANDREWS

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INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

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SS-15 L-03 H-02 STR-04 PA-01 USIA-06 /064 W
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7. IN SIMILAR FASHION, RIEDEL OF LINEAS MARITIMAS
GUATEMALTECAS HAS WEIGHED IN AGAINST NEW BILL AND
HAS GONE ON TO URGE RETENTION OF DECREE 41-71 (OR
"IMPROVEMENT" OF IT). POINTED OUT SUCH PROTECTIVE LEGIS-
LATION HAD BEEN RECOMMENDED BY OAS AND ADVANCED BY SIECA
AND WAS NO DIFFERENT IN PROTECTION GRANTED MERCHANT
FLEET, FROM OTHER BILLS GRANTING PROTECTION TO OTHER
INDUSTRIES. MENTIONED THAT UNDER SHELTER PROVIDED BY
DECREE 41-71 HIS LINE (ALSO ARMAGUA) HAD GOTTEN LOANS
FROM CABEI TO EXPAND MERCHANT FLEET AND ASKED WHETHER
LOANS COULD BE REPAID UNLESS PROTECTION CONTINUED.
CLAIMED THAT ONLY FOREIGN INFLUENCES OPPOSED TO DECREE.
(EARLIER CHRISTIAN DEMOCRAT CONFIDENTIAL NEWSLETTER
HAD IDENTIFIED DELTA-FLOMERCA AGREEMENT AS PART OF A
LARGER ASSAULT ON DECREE 41-71 BY USG.)

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8. MARTINEZ DEL ROSAL INTERVIEW APRIL 28 BORE MOSTLY ON DECREE 41-71, WHICH HE SAID FAVORED PRIVATE GUATEMALAN LINES AS WELL AS STATE-OWNED, BUT WAS "TIMID" AS A PROTECTIVE LAW COMPARED TO OTHERS IN SOUTH AMERICA. DESCRIBED FERNANDEZ BILL AS CONTINUATION OF "FIERCE STRUGGLE" BY SECTOR OF IMPORTERS AGAINST DECREE 41-71. DID NOT DIRECTLY ADVOCATE RETENTION OF 41-71 BUT INSTEAD EXPRESSED PREFERENCE FOR CARGO-SHARING FORMULA OF 40-40-20 OF UN LINER-CONFERENCE CONDUCT CODE. (CF.
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ARMAGUA BILL -REF B - WHICH HOWEVER WAS NOT SPECIFICALLY CITED BY CORONADO IN HIS PRESS INTERVIEW.)

9. IN THIS CONFUSION OF CLAIMS AND COUNTER-CLAIMS, NOT SURPRISING THAT ELEMENTS IN CONGRESS PROPOSING FULL INVESTIGATION OF ADJUSTMENTS IN SHIPPING REGIME. APRIL 26 TWO CONGRESSMENT - YRRITA CUESTA OF PR AND PINTO FLORES OF CAO - ANNOUNCED THEY WOULD LOOK INTO DELTA-FLOMERCA AGREEMENT AND LATER PROPOSE AN ENTIRELY NEW BILL DEFENDING GUATEMALAN SHIPPING LINES AGAINST PRESSURES SUCH AS DELTA HAD GENERATED WHILE MAKING OTHER CHANGES (SUCH AS TRANSFERRING SHIPPING FROM THE RESPONSIBILITY OF THE MINISTRY OF ECONOMY TO THAT OF THE MINISTRY OF COMMUNICATIONS AND PUBLIC WORKS). MARTINEZ DEL ROSAL SUBSEQUENTLY REVEALED THERE WAS TOTAL OF FIVE DRAFT BILLS BEFORE CONGRESS. THOUGH NONE ADEQUATE BY HISLIGHTS, HE DID FAVOR ESTABLISHMENT HERE OF NATIONAL MARITIME COMMISSION AND TRANSFER OF SHIPPING FROM ECONOMY MINISTRY TO COMMUNICATIONS.

10. NO TRENDS CLEAR AT PRESENT. VARIOUS CHANGES IN SHIPPING HAVE BEEN PUT FORWARD AND INTERESTS AFFECTED HAVE REACTED VIGOROUSLY. EMBASSY EXPECTS IT WILL BE SOME TIME BEFORE THRUSTS OF DIFFERENT FORCES CAN BE VECTORED IN ANY ONE DIRECTION, TOWARD CHANGE IN REGIME OR MAINTENANCE OF STATUS QUP. IN INTERIM, EMBASSY MAINTAINING COMPLETELY ALOOF POSTURE IN BELIEF THAT ANY MOVE ON OUR PART WOULD COMPLICATE RESOLUTION OF ISSUE AND WORK TO DISADVANTAGE RATHER THAN ADVANTAGE OF ANY EVOLUTION OF A NON-DISCRIMINATORY SHIPPING REGIME HERE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE DISCRIMINATION, MARINE TRANSPORTATION, AGREEMENTS, PRESS COMMENTS, NEGOTIATIONS, STEAMSHIP LINES, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976GUATEM03270
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760162-0471
From: GUATEMALA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760412/aaaaajim.tel
Line Count: 217
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 GUATEMALA 3069, 76 GUATEMALA 2689
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by ElyME>; APPROVED <26 OCT 2004 by powellba>
Review Markings:

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04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SHIPPING DISCRIMINATION - CONFLICTING REGIMES
TAGS: EWWT, ETRD, GT, US, DELTA, FLOMERCA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006